



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
PIKE COUNTY CLERK**

**Calendar Year 1998**

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Karen F. Gibson, Pike County Judge/Executive  
Honorable Lillian P. Elliott, Pike County Clerk  
Members of the Pike County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Pike County, Kentucky, as of December 31, 1998.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Berger & Ross, PLLC, evaluated the Pike County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure



## **EXECUTIVE SUMMARY**

### **PIKE COUNTY LILLIAN P. ELLIOTT, COUNTY CLERK CALENDAR YEAR 1998 FEE AUDIT**

The Pike County Clerk's 1998 fee audit was contracted to Berger & Ross, PLLC, through a Request for Proposal. The audit revealed no reportable internal control or compliance issues. The Clerk's office generated receipts of \$14,655,186 from operations during the year. The Clerk distributed the appropriate amount of taxes, licenses, and fees to taxing districts and successfully closed out her Operating Fund and County Fund with the State Treasurer. As part of closing out the County Fund with the State Treasurer, \$343,346 was distributed to the Pike County Fiscal Court.



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### Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Clerk of Pike County Kentucky, and the statement of receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 1998. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Clerk and the receipts, disbursements, and fund balances of the County Clerks operating fund and county fund with the State Treasurer for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
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Honorable Lillian P. Elliott, Pike County Clerk  
Members of the Pike County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated July 6, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

BERGER & ROSS, PLLC

Audit fieldwork completed –  
July 6, 2000

PIKE COUNTY  
LILLIAN P. ELLIOTT, COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 1998

Receipts

State Fees For Services		\$ 26,258
Fiscal Court		300
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 1,950,116	
Usage Tax	6,479,378	
Tangible Personal Property Tax	4,024,031	
Licenses		
Fish and Game	30,732	
Marriage	35,200	
Occupational	5,527	
Deed Transfer Tax	83,389	
Delinquent Taxes	<u>1,221,105</u>	13,829,478
Fees Collected for Services:		
Recordings-		
Deeds, Easements and Contracts	\$ 42,534	
Real Estate Mortgages	54,785	
Chattel Mortgages and Financing Statements	188,825	
Deed of Release	23,929	
Leases	9,298	
Articles of Incorporation	1,532	
Affidavits of Descent	2,039	
Wills	3,965	
Notary Bonds	3,768	
Material Leins	5,847	
Charges for Other Services-		
Candidate Filing Fees	5,020	
Copywork	<u>57,504</u>	399,046

PIKE COUNTY  
LILLIAN P. ELLIOTT, COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
Calendar Year 1998  
(Continued)

Receipts (Continued)

Other:		
Postage	\$ 25,581	
Bail Bonds	2,014	
Refunds	318,250	
Releases	2,071	
Miscellaneous	<u>33,780</u>	\$ 381,696
Interest Earned		<u>18,408</u>
Gross Receipts		\$ 14,655,186

Disbursements

Payments to State:		
Motor Vehicle-		
Licenses and Transfers	\$ 1,556,632	
Usage Tax	6,263,797	
Tangible Personal Property Tax	1,490,621	
Licenses		
Fish and Game	26,541	
Delinquent Tax	172,315	
Legal Process Tax	63,453	
Marriage Licenses	4,256	
Candidate filing Fees	<u>2,760</u>	\$9,580,375
Payments to Fiscal Court:		
Tangible Personal Property Tax	\$ 423,398	
Delinquent Tax	132,117	
Deed Transfer Tax	79,220	
Occupational Licenses	4,508	
Excess Fees	6,098	
Solid Waste	<u>24,880</u>	670,221

PIKE COUNTY  
LILLIAN P. ELLIOTT, COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
Calendar Year 1998

Disbursements (Continued)

Payments to Other districts:

Tangible Personal Property Tax	\$ 1,945,501	
Delinquent Tax	<u>508,853</u>	\$ 2,454,354

Payments to Sheriff	59,164
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Payments to County Attorney	230,120
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Other

Tangible Personal Property Tax Refunds	\$ 3,855	
Miscellaneous Refunds	321,009	
Usage Refunds	17,346	
Bank Charges	<u>369</u>	<u>342,579</u>

Total Disbursements	<u>\$ 13,336,813</u>
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Net Receipts	\$ 1,318,373
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Payments to State Treasurer:

75% Operating Fund	\$ 1,001,157 *	
25% County Fund	<u>317,216</u>	<u>1,318,373</u>

Balance due at Completion of Audit	<u>\$ -</u>
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\*-Includes reimbursed expenses in the amount of \$49,836 for the audit period.  
See Note 1 of Notes to the Financial Statements.

The accompanying notes are an integral part of the financial statements

PIKE COUNTY  
LILLIAN P. ELLIOTT, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE  
OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND  
WITH THE STATE TREASURER

Calendar Year 1998

	75% Operating <u>Fund</u>	25% County <u>Fund</u>	<u>Totals</u>
Fund Balance - January 1, 1998	\$ 637,257	\$ 26,130	\$ 663,387
 <u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,001,157	-	1,001,157
Fees Paid to State - County Funds (25%)	<u>-</u>	<u>317,216</u>	<u>317,216</u>
 Total Funds Available	 <u>\$ 1,638,414</u>	 <u>\$ 343,346</u>	 <u>\$ 1,981,760</u>
 <u>Disbursements</u>			
Payments to Pike County Fiscal Court	\$ 381,511	\$ 343,346	\$ 724,857
Personnel Services-			
Clerk's Statutory Maximum	48,691		48,691
Clerk's Expense Allowance	3,600		3,600
Deputies Salaries	632,915		632,915
Employee Benefits-			
Employer's Share Social Security	49,549		49,549
Employer's Share Retirement	52,615		52,615
Employer's Paid Health Insurance	151,406		151,406
Supplies and Materials-			
Office Supplies	61,144		61,144
Other charges			
Dues	3,415		3,415
Postage	17,952		17,952

PIKE COUNTY  
LILLIAN P. ELLIOTT, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE  
COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE  
TREASURER  
Calendar Year 1998  
(continued)

Disbursements (Continued)

Computer Service	\$ 31,072	\$ -	\$ 31,072
Computer Supplies	9,634		9,634
Maintenance	20,445		20,445
Printing/Advertising	294		294
Cleaning Supplies	815		815
Books/Journals	985		985
Storage	2,166		2,166
Tax Software	11,652		11,652
Telephone	4,007		4,007
Miscellaneous	18,566		18,566
Bank Service Charges	89		89
Bonds	3,201		3,201
Auto Expenses-			
Maintenance and Repairs	825		825
Capital Outlay-			
Office Equipment	122,961		122,961
Debt Service-			
Lease Purchases	<u>8,904</u>	<u>-</u>	<u>8,904</u>
 Total Disbursements	 <u>\$ 1,638,414</u>	 <u>\$ 343,346</u>	 <u>\$ 1,981,760</u>
 Fund Balance – December 31, 1998	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

The accompanying notes are an integral part of the financial statements

PIKE COUNTY  
LILLIAN P. ELLIOTT, COUNTY CLERK  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The Attorney General issued a letter, which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk to invest in the following, including but not limited to, obligations of the United States and of its



PIKE COUNTY  
LILLIAN P. ELLIOTT, COUNTY CLERK  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 1998  
(Continued)

C. Cash and Investments (Continued)

agencies instrumentalities, obligations, and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement system. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the

PIKE COUNTY  
LILLIAN P. ELLIOTT, COIUNTY CLERK  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 1998  
(Continued)

Note 3 – Deposits (Continued)

depository institution. These requirements were met, and as of December 31, 1998, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond(s) which named the County Clerk as beneficiary/obligee on the bond(s).

Note 4. Grant

The County Clerk received local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$43,202 during the 1996 calendar year. The Clerk had a balance of \$1,624 on January 1, 1998 and the account earned \$37 of interest during the year. No funds were expended during calendar year 1998. The unexpended grant balance is \$1,661 as of December 31, 1998.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Honorable Karen F. Gibson, CPA, County Judge/Executive  
Honorable Lillian P. Elliott, Pike County Clerk  
Members of the Pike County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the Pike County Clerk as of December 31, 1998, and have issued our report thereon dated July 6, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pike County Clerk's financial statements as of December 31, 1998, are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Karen F. Gibson, CPA, County Judge/Executive  
Honorable Lillian P. Elliott, Pike County Clerk  
Members of the Pike County Fiscal Court  
Report On Compliance And On Internal Control Over Financial Reporting Based On An  
Audit Of The Financial Statements Performed In Accordance With Government Auditing  
Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

BERGER & ROSS, PLLC

Audit Fieldwork completed –  
July 6, 2000

